

FIG. 1A

GENERAL DATA PROCESSING COMPUTER SYSTEM: MEMORY STORAGE
CONTAINS MASTER DATABASE OF OPEN END MUTUAL FUND
STATISTICS PREFERRED SPECIFICATION OF COMPUTER: CDROM
DRIVE, MONITOR HARD DRIVE CONTAINING 420 MEGABYTES
8 MEGABYTES RAM, 486 CPU

10
ELIMINATE THOSE FUNDS IN MASTER DATABASE
WHERE FUNDS ARE MARKED "NOT AVAILABLE FOR
PURCHASE" PUT REMAINING FUNDS IN NEW DATABASE:
"DATABASE #1"

12
ELIMINATE ALL FUNDS IN DATABASE #1 WHERE
ASSET SIZE IS NOT EQUAL TO "USER DEFINED"
STORING REMAINING FUNDS IN NEW DATABASE:
"DATABASE #2"

14
16
SEARCH DATABASE "DATABASE #2" FOR THOSE
FUNDS WHERE CATEGORY OF INVESTMENT STYLE
= "USER DEFINED" AND PLACE IN NEW DATABASE:
"DATABASE #3"

18
SEARCH DATABASE #3; SELECT THOSE
FUNDS WHERE RETURN OVER TIME (T) >
AVERAGE OF ALL FUNDS IN DATABASE #3
WHERE TIME (T) = "USER DEFINED" AND
STORE IN NEW DATABASE NAMED:
"DATABASE #4"

20
SEARCH DATABASE #3 AND SELECT
FUNDS WHERE RISK OVER TIME
(T) < AVERAGE OF ALL FUNDS IN
DATABASE #3 WHERE TIME (T) =
"USER DEFINED" AND RISK =
"USER DEFINED". STORE SELECTED
FUNDS IN NEW DATABASE NAMED:
"DATABASE #5"

FIG. 1B

- 22 COMBINE DATABASE "4" AND DATABASE "5" INTO NEW DATABASE NAMED: "INDEX"
- 24 CREATE CONSTANT "NUMBER"; "NUMBER" = "USER DEFINED" TOTAL NUMBER OF OPEN END MUTUAL FUNDS TO BE INCLUDED WITHIN THE DATABASE "INDEX"
- 26 CREATE CONSTANT NAMED "CALCULATION" WHERE "CALCULATION" = "USER DEFINED" CHOICE OF <EQUALLY PRICE WEIGHTED>, <CAPITALIZATION WEIGHTED>, <GEOMETRICALLY WEIGHTED>, OR <CUSTOM WEIGHTED>
- 28 CREATE FORMULA: "OPTIMAL RISK/RETURN (T)" WHERE "OPTIMAL RISK/RETURN (T)" = "TOTAL RISK/RETURN (T)" - "TOTAL RISK/RETURN (T-1)"
IF "TOTAL RISK/RETURN (T)" < "TOTAL RISK/RETURN T-1" THEN REPEAT UNTIL "TOTAL RISK/RETURN" YIELDS A GROUP OF FUNDS WHERE NUMBER = "NUMBER" AND NO OTHER COMBINATION OF FUNDS YIELDS A LOWER RISK/RETURN RATIO OVER TIME (T) AND NAME "FINAL INDEX"
- 30 CREATE FORMULA "TOTAL RISK/RETURN" WHERE "TOTAL RISK/RETURN" = SUM (TOTAL RISK FOR ALL FUNDS IN INDEX / TOTAL RETURN FOR ALL FUNDS IN INDEX) FOR TIME PERIOD (T)
- 32 PRINT OUT A CHART OF "FINAL INDEX" FOR TIME (T). RETURN TO BOX 10 TO REPEAT

FIG. 2

